

Economics Test
Ch1, Secs 2,3

Name:

Date:

1. In purest terms, wealth is the relative ability to satisfy wants. But what is a more practical definition of wealth?
 - a. The money you have
 - b. The stock of scarce, useful, and transferable goods someone has
 - c. Gold is the most practical form of wealth
 - d. A good education is the most basic form of wealth, particularly an Alabama public education
 - e. Wealth his having your bills paid
2. A place where buyers and sellers can trade goods and/or services with a significant degree of freedom is a market.
 - a. True
 - b. False
3. A market where productive resources are bought and sold is a what?
 - a. Product Market
 - b. Tangible Market
 - c. Intangible Market
 - d. Factor Market
 - e. Flea Market
4. In a circular flow of economic activity chart, individuals receive their income where?
 - a. In product markets
 - b. In tangible markets
 - c. In intangible markets
 - d. In factor markets
 - e. In flea markets
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 - a. In product markets
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6. For a nation, a situation in which output of goods and services increases is known as what?
 - a. Recession
 - b. Depression
 - c. Industrial Renaissance
 - d. Economic Growth
 - e. Downturn
7. Productivity is a measure of output relative to what?
 - a. Costs
 - b. Income
 - c. Value
 - d. Input
8. Productivity is something that can be improved for labor, but unfortunately, not for land and capital.
 - a. True
 - b. False
9. A division of labor occurs when, in the production of an overall product, laborers do what?
 - a. Each produces the entire product
 - b. Each produces on part of the product
 - c. Each person controls the means of production
 - d. Each creates an entirely new product line
10. When a fully functioning Boeing 747 aircraft is used for flying passengers around the world, instead of using it as a field house for the company softball team, a storage closet, and a company canteen, you might say that the use of the plane is being used in what fashion?
 - a. Flippant
 - b. Elitist
 - c. Specialized
 - d. Drastic
11. The sum total of the talents, skills, availabilities, and motivations of the people who perform labor in a given firm is a what?
 - a. Capitalism
 - b. Socialism
 - c. Cooperative Collaboration
 - d. Logistics
 - e. Human Capital

12. The costs and opportunities of the alternative courses of action that someone might take are known as?
- Challenges
 - Trade-offs
 - Bargains
 - Negotiations
13. The next best alternative that is forfeited by taking a particular course of action is known as a what?
- Factor of Production
 - Amortization
 - Reverse Mortgage
 - Opportunity Cost
 - Diminishing Return
14. Just as there is no such thing as a free lunch, there is also no such thing as a free education. As you sit here taking this test, you have forfeited the alternate course of action of getting a job that would bring extra money into your life.
- True
 - False
15. In the view of some economists, at the end of the day, all costs are of what type?
- Taxes
 - Depreciation expenses
 - Punitive damages
 - Amortization and value-added costs
 - Opportunity costs
16. Economists have the role of explaining the limits and possibilities of following a particular economic path. Economists help to show the potential benefits of a particular option, as well as the costs. Economists give insight into the good and bad of any given situation.
- True
 - False
17. An economic model is a what?
- The path to freedom, if only government would get out of the way
 - A simplified picture of an economic situation
 - A Neo-Marxist theory of class struggle
 - A mirage

18. Economic Models are based on what?
- a. Can-openers
 - b. Marxism
 - c. A completely free market without government regulation
 - d. Assumptions
 - e. Physics
 - f. Chemistry
19. In economic models, what are the “givens?”
- a. The necessary mathematical equations
 - b. The solution as to the best course of economic action
 - c. Assumptions
 - d. Class Struggle
 - e. Can-openers
20. If a student chooses to stay in school in order to earn a high school diploma, and he/she chooses to do so because he/she has calculated that by age 25, he/she could obtain a better career, due to possessing a high school diploma, than if he/she had dropped out of high school and obtained a job---then that student has engaged in what?
- a. Stinkin’ Thinkin’
 - b. Freudian Analysis
 - c. Cost-Benefit Analysis
 - d. Depreciation Allowance
 - e. Socialism

TO ANSWER THE NEXT BATCH OF QUESTIONS, YOU NEED TO CONSULT THE CIRCULAR FLOW OF ECONOMIC ACTIVITY CHART.

21. In the Circular Flow of Economic Activity Chart, #21 signifies the flow of what?
- a. Rent, Wages, Interest, and Dividends Paid
 - b. Goods and Services for Sale
 - c. Goods and Services Purchased
 - d. Income for Individuals
 - e. Land, Labor, and Capital for Sale
 - f. Land, Labor, and Capital Purchased
 - g. Payments for Goods and Services
 - h. Income for Firms

22. In the Circular Flow of Economic Activity Chart, #22 signifies the flow of what?
- a. Rent, Wages, Interest, and Dividends Paid
 - b. Goods and Services for Sale
 - c. Goods and Services Purchased
 - d. Income for Individuals
 - e. Land, Labor, and Capital for Sale
 - f. Land, Labor, and Capital Purchased
 - g. Payments for Goods and Services
 - h. Income for Firms
23. In the Circular Flow of Economic Activity Chart, #23 signifies the flow of what?
- a. Rent, Wages, Interest, and Dividends Paid
 - b. Goods and Services for Sale
 - c. Goods and Services Purchased
 - d. Income for Individuals
 - e. Land, Labor, and Capital for Sale
 - f. Land, Labor, and Capital Purchased
 - g. Payments for Goods and Services
 - h. Income for Firms
24. In the Circular Flow of Economic Activity Chart, #24 signifies the flow of what?
- a. Rent, Wages, Interest, and Dividends Paid
 - b. Goods and Services for Sale
 - c. Goods and Services Purchased
 - d. Income for Individuals
 - e. Land, Labor, and Capital for Sale
 - f. Land, Labor, and Capital Purchased
 - g. Payments for Goods and Services
 - h. Income for Firms
25. In the Circular Flow of Economic Activity Chart, #25 signifies the flow of what?
- a. Rent, Wages, Interest, and Dividends Paid
 - b. Goods and Services for Sale
 - c. Goods and Services Purchased
 - d. Income for Individuals
 - e. Land, Labor, and Capital for Sale
 - f. Land, Labor, and Capital Purchased
 - g. Payments for Goods and Services
 - h. Income for Firms

26. In the Circular Flow of Economic Activity Chart, #26 signifies the flow of what?

- a. Rent, Wages, Interest, and Dividends Paid
- b. Goods and Services for Sale
- c. Goods and Services Purchased
- d. Income for Individuals
- e. Land, Labor, and Capital for Sale
- f. Land, Labor, and Capital Purchased
- g. Payments for Goods and Services
- h. Income for Firms

27. In the Circular Flow of Economic Activity Chart, #27 signifies the flow of what?

- a. Rent, Wages, Interest, and Dividends Paid
- b. Goods and Services for Sale
- c. Goods and Services Purchased
- d. Income for Individuals
- e. Land, Labor, and Capital for Sale
- f. Land, Labor, and Capital Purchased
- g. Payments for Goods and Services
- h. Income for Firms

28. In the Circular Flow of Economic Activity Chart, #28 signifies the flow of what?

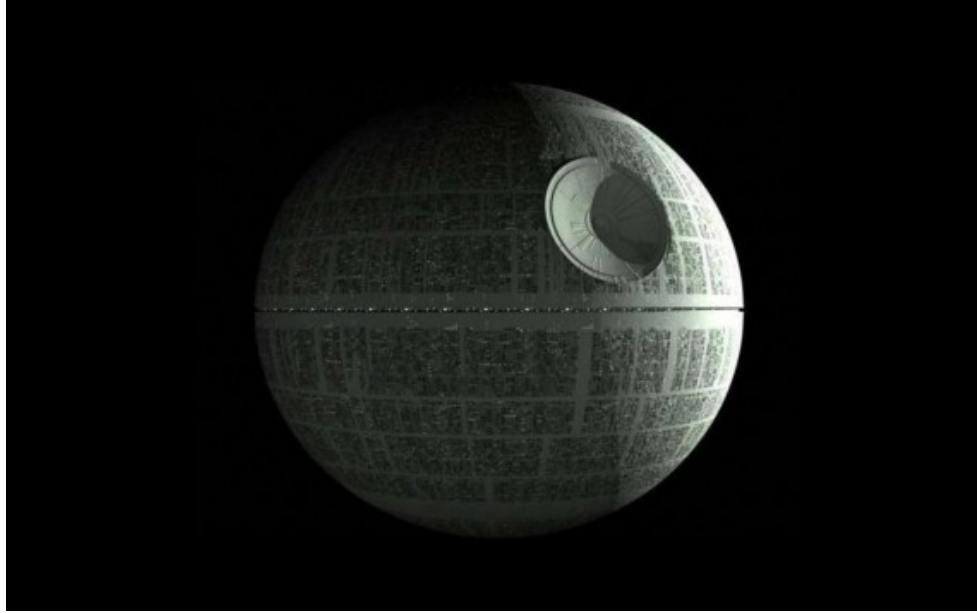
- a. Rent, Wages, Interest, and Dividends Paid
- b. Goods and Services for Sale
- c. Goods and Services Purchased
- d. Income for Individuals
- e. Land, Labor, and Capital for Sale
- f. Land, Labor, and Capital Purchased
- g. Payments for Goods and Services
- h. Income for Firms

OK...IT'S TIME NOW TO INTERPRET A PRODUCTION POSSIBILITIES CURVE.

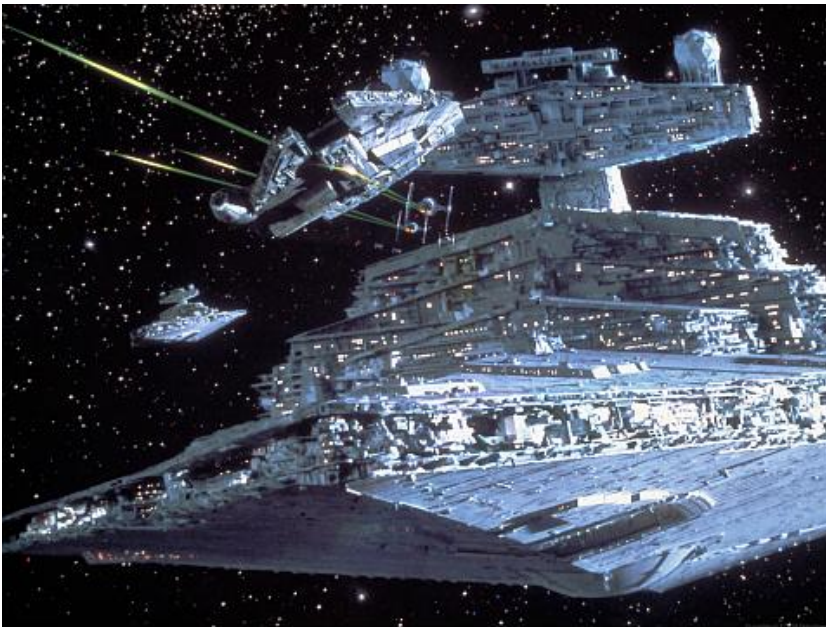
SCROLL DOWN...

To Answer the next batch of questions, you will need to consult Production Possibilities Curve Chart.

Good Luck...and **may the Force be with you!**



Above: A Death Star



Above: An Imperial Ship

A long time ago, in a galaxy far, far away, the Empire was in a bit of a bind as how to best allocate its resources.

Darth Vader and his minions wanted to concentrate on building planet-destroying Death Stars because...well...he was really into it.

Other non-Sith members of the Empire, however, wanted to concentrate on building traditional Star Ships. They argued that the old fashioned star ships were much cooler looking, and were less subject to being blown up by a single stray photon torpedo launched by Luke Skywalker.

Imperial economist Darth Geek has been called in to show Imperial officials their options.

He shows them a Production Possibilities Curve Chart.

You have a copy. Consult it.

29. If the Empire chooses to build 5 Death Stars, how many Imperial Star ships can it build?
- a. 50
 - b. 40
 - c. 30
 - d. 20
 - e. 10
 - f. 5
 - g. 0
 - h. We cannot determine that number with the information that is provided
30. If the Empire chooses to build 30 Imperial Star Ships, how many Death Stars can be built?
- a. 5
 - b. 4
 - c. 3
 - d. 2
 - e. 1
 - f. 0
 - g. We cannot determine that number with the information that is provided

31. If the Empire chooses to build 1 Death Star, how many Imperial Star Ships can be built?
- a. 50
 - b. 40
 - c. 30
 - d. 20
 - e. 10
 - f. 5
 - g. 0
 - h. We cannot determine that number with the information that is provided
32. If the Empire chooses to build 10 Imperial Star Ships, how many Death Stars can be built?
- a. 5
 - b. 4
 - c. 3
 - d. 2
 - e. 1
 - f. 0
 - g. We cannot determine that number with the information that is provided
33. If the Empire chooses to build 50 Imperial Star Ships, how many Death Stars can be built?
- a. 5
 - b. 4
 - c. 3
 - d. 2
 - e. 1
 - f. 0
 - g. We cannot determine that number with the information that is provided
34. The Production Possibilities Curve labeled PP1 is also called the what?
- a. Death Star Options
 - b. Star Ships Options
 - c. Production Possibilities Frontier
 - d. Demand Curve
 - e. Supply Curve



Above: Chewbacca...a Wookiee...and a highly skilled shipbuilder

35. If the Empire were to hire highly-skilled Wookies as a new labor force to build Imperial Star Ships, resulting in greater productivity some much so that, instead of being able to build 50 Star Ships in a given period of time, the Wookies could build 75 star ships, then the production possibilities curve would move in which direction?
- a. To the Left
 - b. To the Right
 - c. It would not move
 - d. It would form a loop



Above: A Jawa...and he's not as good at shipbuilding as a Wookie

36. OK...let's say the Wookie laborers joined the Rebellion (against the Empire). Now, all of a sudden, all of that skilled labor has disappeared, and the labor for Star Ship production is replaced by Jawas, and the Jawas aren't as good at shipbuilding. Let's say, as a result of the Wookies switching sides, the new Jawa laborers reduce potential maximum Star Ship production down from 75 to 36. In that case the production possibilities curve would shift in what direction?
- a. To the Left
 - b. To the Right
 - c. It would not move
 - d. It would form a loop